

FDIC State Profile

Winter 2005

Wisconsin

Wisconsin job growth slowed in the third quarter.

- Wisconsin's year-over-year job growth rate, which closely tracked the national rate over the past few years, declined for the second straight quarter and was a full percentage point below the national growth rate of 1.7 percent at third quarter 2005 (see Chart 1). The trade, manufacturing, and government sectors, which added jobs in the previous year-ending quarter, reported job losses in the third quarter. Growth in the education and health services sector continued to slow from the previous two quarters, while construction posted continued strong growth due in part to the large ongoing freeway construction in the **Milwaukee-Waukesha-West Allis** metro.
- While state job growth has slowed, the third quarter 2005 employment level of 2.85 million is near the pre-recession high of 2.86 million reached in fourth quarter 2000.
- Green Bay, Sheboygan, and La Crosse** posted a combined job loss of 2,100 in the third quarter after reporting gains in previous quarters. Green Bay posted the largest loss of 1,600 jobs, or -1.0 percent, marking its first quarterly year-over-year job loss since the second quarter of 2002. Except for trade and financial services, most major sectors in the Green Bay metro lost jobs.

Household conditions were relatively stable.

- Despite the recent slowdown in job growth, per-capita personal income grew 5.3 percent from second quarter 2004 to second quarter 2005, roughly in line with the national rate of 5.5 percent. However, personal income growth continued to lag third quarter 2005 home price appreciation of 7.3 percent, a situation suggesting reduced housing affordability. The metros of **Racine, Milwaukee, and Madison** in particular experienced home price appreciation above the state rate at third quarter 2005, but below the double-digit growth experienced in the previous quarter.
- The percentage of residential mortgage loans in foreclosure remained relatively steady at 1.1 percent for

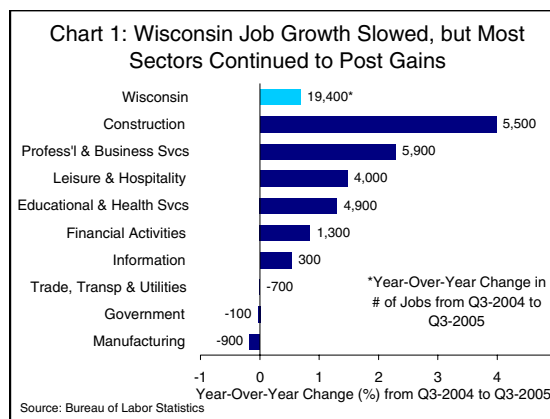
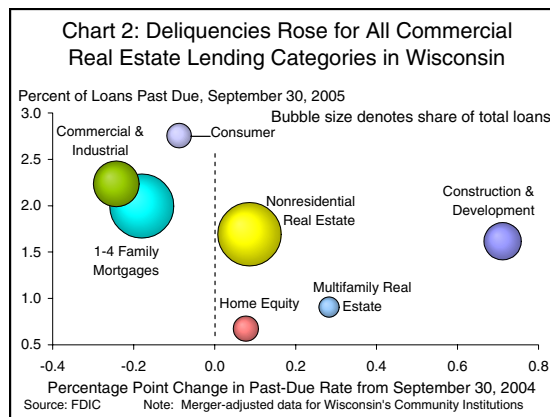


Table 1: Lower Noninterest Expense Offset Declining Margins to Maintain Profitability

Income statement contribution (percent of average assets)	3 months ended Sep 30		Percentage Point Change
	2004	2005	
Net Interest Income	3.65	3.61	-0.04
Noninterest Income	0.72	0.75	0.03
Noninterest Expense	-2.73	-2.68	0.05
Provision Expense	-0.12	-0.11	0.01
Security Gains & Losses	0.05	0.03	-0.02
Pretax Net Income	1.57	1.60	0.03
Income Taxes	-0.43	-0.40	0.03
Net Income (ROA)	1.14	1.20	0.06

Source: FDIC

Note: Merger-adjusted data for Wisconsin's Community Institutions



third quarter 2005, compared to 1.1 percent a year ago, and is in line with the national level of 1.0 percent.

Potential energy cost increases may adversely affect some Wisconsin residents this winter.

- Consumer costs for winter heating fuels are expected to rise considerably this winter. Midwest natural gas prices are forecasted to increase by 44 percent, an increase greater than other regions and other types of Midwest heating fuels.¹ Wisconsin's winter natural gas bills are estimated to be 40 to 60 percent higher than last year.²
- Wisconsin has relatively colder climate conditions and ranked tenth in the nation for heating degree-days per year.³ A large share, 34 percent, of Wisconsin residential energy expenditures comes from natural gas compared to 27 percent for the nation.⁴ An estimated 77 percent of Wisconsin homes use natural gas as their principal heating fuel, ranking it the tenth largest user among all states.⁵

Earnings performance of Wisconsin community institutions was relatively stable.

- Third quarter 2005 pre-tax return on assets increased slightly for Wisconsin community institutions as noninterest expenses declined, and despite a decline in net interest income (see Table 1).⁶
- Net interest margins declined slightly as an increase in cost of funding earning assets outpaced an increase in yield on earning assets. Noncore funding sources, which typically are higher cost, grew 16.5 percent versus lower-cost core deposits, which only grew 5.2 percent. Core deposits represent 63.9 percent of total assets, the lowest level in over a decade. Earning asset yields benefited from higher interest rates and continued strong growth in commercial real estate (CRE) loans, which typically are higher yielding.

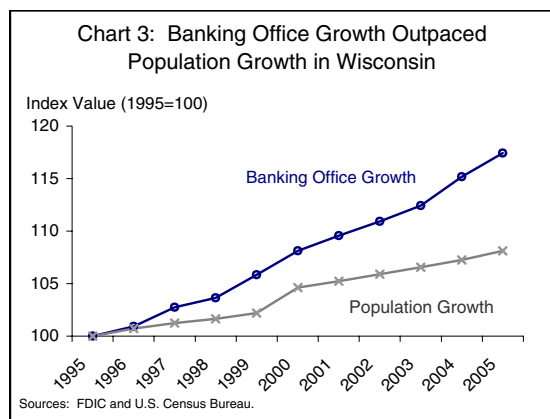
Asset quality indicators were relatively steady at Wisconsin community institutions.

- The loan delinquency rate of 1.8 percent at third quarter 2005 was unchanged from a year ago. Results among major loan categories were mixed as a number of loan categories, including CRE loans, experienced an increase in the delinquency rate, while others improved (see Chart 2).

- Despite reduced housing affordability, Wisconsin insured institutions reported a relatively moderate level of piggyback loans made in the state's Core Based Statistical Areas (CBSAs) in 2004. The number of piggyback loans made in Wisconsin CBSAs in 2004 as a percentage of 1-4 family home purchase loans was 10.0 percent, compared to 12.8 percent nationally.⁷

Wisconsin bank office growth outpaced population growth.

- Wisconsin bank office growth continued at a rate somewhat greater than population growth (see Chart 3). Since 1995, the number of people per banking office declined from 2,649 to 2,409 as of June 2005, and remained well below the national level of 3,243. Wisconsin's relatively high branch density suggests potentially fewer opportunities for near-term branch growth.
- Wisconsin has seen less interstate competition than other states. In 2005, banks headquartered out of the state owned 18 percent of Wisconsin bank offices, compared to a median of 33 percent for all states. This is true even for the Milwaukee-Waukesha-West Allis metro, the largest populated metro in Wisconsin, where banks headquartered out of the state own 26 percent of the offices.



¹Energy Information Administration /Short-Term Energy Outlook – December 2005.

²State of Wisconsin - Department of Administration, Focus on Energy, 2005.

³Based on data from the National Oceanic and Atmospheric Administration using the average number of heating degree-days for the past five years.

⁴U.S. Department of Energy, data as of 2001.

⁵U.S. Census Bureau, 2004 American Community Survey.

⁶Community institutions are insured banks and thrifts with less than \$1 billion in assets, excluding new (less than three years old) and specialty banks. Data adjusted for merger activity.

⁷Data reported by insured institutions as part of the Home Mortgage Disclosure Act. Piggyback loans refer to second liens on home purchase loans.

Wisconsin at a Glance

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q3-05	Q2-05	Q3-04	2004	2003
Total Nonfarm (share of trailing four quarter employment in parentheses)	0.7%	0.9%	1.6%	1.0%	-0.3%
Manufacturing (18%)	-0.2%	0.2%	0.6%	-0.4%	-4.6%
Other (non-manufacturing) Goods-Producing (5%)	3.6%	4.1%	1.6%	1.8%	-0.1%
Private Service-Producing (63%)	0.8%	1.0%	2.0%	1.7%	1.1%
Government (15%)	0.0%	0.1%	0.8%	-0.2%	-0.5%
Unemployment Rate (% of labor force)	4.7	4.6	4.8	5.0	5.6

Other Indicators	Q3-05	Q2-05	Q3-04	2004	2003
Personal Income	N/A	5.9%	5.9%	5.4%	2.6%
Single-Family Home Permits	0.7%	0.6%	1.6%	1.5%	8.8%
Multifamily Building Permits	-10.0%	10.2%	-6.6%	-21.1%	-7.2%
Existing Home Sales	9.4%	5.4%	12.6%	10.3%	0.4%
Home Price Index	7.3%	9.7%	10.7%	8.4%	4.7%
Nonbusiness Bankruptcy Filings per 1000 people (quarterly annualized level)	7.29	6.60	4.70	4.97	5.07

BANKING TRENDS

General Information	Q3-05	Q2-05	Q3-04	2004	2003
Institutions (#)	303	303	309	308	311
Total Assets (in millions)	126,780	121,914	115,051	118,361	109,404
New Institutions (# < 3 years)	3	1	2	1	5
Subchapter S Institutions	67	68	63	65	60

Asset Quality	Q3-05	Q2-05	Q3-04	2004	2003
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.74	1.60	1.77	1.68	2.03
ALLL/Total Loans (median %)	1.17	1.18	1.23	1.23	1.27
ALLL/Noncurrent Loans (median multiple)	1.67	1.69	1.68	1.72	1.34
Net Loan Losses / Total Loans (median %)	0.01	0.02	0.02	0.07	0.09

Capital / Earnings	Q3-05	Q2-05	Q3-04	2004	2003
Tier 1 Leverage (median %)	9.80	9.78	9.84	9.77	9.62
Return on Assets (median %)	1.09	1.09	1.11	1.09	1.18
Pretax Return on Assets (median %)	1.50	1.52	1.53	1.47	1.58
Net Interest Margin (median %)	4.00	4.00	4.03	3.98	3.94
Yield on Earning Assets (median %)	6.24	6.03	5.65	5.60	5.86
Cost of Funding Earning Assets (median %)	2.23	2.00	1.65	1.65	1.91
Provisions to Avg. Assets (median %)	0.08	0.08	0.09	0.11	0.13
Noninterest Income to Avg. Assets (median %)	0.59	0.57	0.57	0.59	0.71
Overhead to Avg. Assets (median %)	2.63	2.66	2.67	2.71	2.70

Liquidity / Sensitivity	Q3-05	Q2-05	Q3-04	2004	2003
Loans to Assets (median %)	74.1	74.7	72.6	71.9	69.4
Noncore Funding to Assets (median %)	19.7	19.0	17.2	17.1	15.2
Long-term Assets to Assets (median %, call filers)	8.0	8.0	9.3	8.4	9.7
Brokered Deposits (number of institutions)	165	165	152	155	137
Brokered Deposits to Assets (median % for those above)	5.1	5.0	4.2	4.3	3.3

Loan Concentrations (median % of Tier 1 Capital)	Q3-05	Q2-05	Q3-04	2004	2003
Commercial and Industrial	85.1	88.2	87.3	85.6	91.8
Commercial Real Estate	244.7	260.4	225.0	232.3	205.6
<i>Construction & Development</i>	47.1	44.5	38.8	39.0	34.2
<i>Multifamily Residential Real Estate</i>	6.9	7.9	5.5	6.0	4.8
<i>Nonresidential Real Estate</i>	167.9	167.0	159.7	163.4	143.4
Residential Real Estate	227.7	228.2	227.5	233.1	228.2
Consumer	28.5	29.1	31.6	30.8	35.7
Agriculture	33.3	34.0	35.7	32.0	35.0

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Milwaukee-Waukesha-West Allis, WI	63	40,172	< \$250 million	235 (77.6%)
Madison, WI	48	10,944	\$250 million to \$1 billion	57 (18.8%)
Green Bay, WI	26	5,577	\$1 billion to \$10 billion	9 (3%)
Appleton, WI	30	3,050	> \$10 billion	2 (0.7%)
Racine, WI	19	2,629		